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Order 2000-9-27

Served: September 29, 2000



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 29th day of September, 2000

INTRA-ALASKA MAINLINE
SERVICE MAIL RATES

Docket OST-95-429 - 124
(Docket 38961)

ORDER EXTENDING EXISTING MAIL RATES AS INTERIM RATES

Summary

By this order the Department is extending the final rates established by Orders 2000-6-5 and 99-9-13 as interim rates subject to retroactive adjustment.

Background

By Order 2000-8-14 the Department tentatively set a mainline mail rate that made a major methodological change, i.e., it tentatively decided to weight carrier costs by the amount of mail carried on each carrier's aircraft. The Order was served on August 17, 2000, and provided the parties with the customary 45-day period to object, with comments due October 1. Unfortunately from a timing standpoint, the current rate expires September 30, before comments are due and thus able to be reviewed for the tentative rate. On September 15 the carriers submitted a joint motion requesting that the Department make the tentative rate in the show-cause order final for an interim period until an order deciding the weighting issue raised by Order 2000-8-14 could be issued.

In support of their motion the carriers argued that they should not be prevented from receiving the proposed tentative rate because the proceeding was delayed. In addition, they stated that the Department had recently issued Order 2000-4-1 in the bush mail proceeding that made a rate final until further Department action. They also maintained that the several carriers could "ill afford to lose permanently several months" of increased revenue due them if the tentative rate was not made final. Finally, the carriers noted that the weighting issue had been fully discussed by them and the Postal Service in formal pleadings before the Department more than several months ago.

On September 22, 2000, the Postal Service objected to Order 2000-8-14 and, in addition to repeating arguments made in its earlier pleadings, raised several new issues: it urged the parties to meet to see if a consensus could be reached; it indicated that if mail rates were based on amount of mail carried it would modify its equitable tender policy and

tender more mail to less costly operators such that in ensuing years the mail rate would decrease accordingly; and it indicated that some of the data supplied by the carriers appeared erroneous.

Decision

After discussions with the parties several years ago the Department indicated that it favored abolishing the practice of establishing retroactively adjustable rates in favor of issuing final temporary rates. We recently implemented this policy in the bush proceeding in Order 2000-4-1. However, upon careful consideration, we have reluctantly decided to extend the rates set by Orders 2000-6-5 and 99-9-13 as interim rates subject to retroactive adjustment until we can resolve the issues discussed in the show cause order with full benefit of all comments.

The situation in this instance is much different than that in the bush proceeding. The issue in the bush proceeding was a narrow one of whether a certain carrier should be added to the pool. Here, we are discussing a fundamental change in ratemaking methodology, which when finalized, will settle the issue beyond the immediate rate term for the foreseeable future. Moreover, the Postal Service has indicated how very important it believes this issue to be by both asking for a meeting with the parties and even declaring its intent to review its critically important and long-established mail tender policies in response to our decision.

Because the fundamental change in methodology proposed in the show-cause order is very significant both in magnitude and in its likely duration, it is critical that we have a full consideration of the issue before taking final action. On the other hand, we are sensitive to the carriers' position that *if* the Department ultimately *does* adopt the proposed new methodology, they (the carriers) should not be permanently deprived of the higher rates. In order to balance these competing and legitimate interests, we will reluctantly deviate from our policy of not adjusting rates retroactively, and will in fact here extend the current rates on an interim basis subject to retroactive adjustment. We will also attempt to resolve matters on a consensual basis as expeditiously as possible.

ACCORDINGLY,

1. We extend the linehaul rate set by Order 2000-6-5 and the terminal rate set by Order 99-9-13 as temporary rates, subject to retroactive adjustment, until further Department action. The final rates may be higher than, lower than, or the same as those set by this order;
2. This docket shall remain open until further order of the Department; and

3. We will serve this order upon all parties on the Service List for Docket 1995-429.

By:

Francisco J. Sanchez
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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